



IFRS Financial Results

for 2Q 2021



Sistema's management will host a conference call today at 10:00 am (New York time) / 3:00 pm (London time) / 4:00 pm (CEST) / 5:00 pm (Moscow time) to present and discuss the 2Q 2021 results.

To participate in the conference call, please dial:

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Conference ID: 657738

Link to webcast: <https://mm.closir.com/slides?id=657738>

Or quote the conference call title: "Sistema Second Quarter 2021 Financial Results".

A replay of the conference call will be available on Sistema's website www.sistema.ru for at least seven days after the event.

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Moscow, Russia – 30 August 2021 – Sistema PJSC (“Sistema”, the “Corporation”, or together with its subsidiaries and affiliates, the “Group”) (LSE: SSA, MOEX: AFKS), a Russian publicly traded investment company, today announces its unaudited consolidated financial results in accordance with International Financial Reporting Standards (IFRS) for the second quarter of 2021 (2Q 2021) ending 30 June 2021.

KEY HIGHLIGHTS IN 2Q 2021 AND AFTER THE END OF THE REPORTING PERIOD

- ✓ **Segezha Group IPO.** In April 2021, Segezha Group held an IPO on Moscow Exchange, raising RUB 30 billion with a purpose to finance its investment programme and optimise its debt leverage. At the time of the IPO, the company's capitalisation was RUB 125.5 billion, with a free float of 23.9%. The Corporation's stake is 72.0%¹.
- ✓ **Development of the pharmaceuticals business.** On 25 June 2021, Ristango Holding Limited, the 100% owner of Binnopharm Group, shareholders signed a new shareholder agreement. According to the agreement, Sistema had obtained control over the operating activities of Ristango Holding Limited, which provided the basis for consolidating Binnopharm Group's results in Sistema's financial statements as of that date. Also in June 2021, Sistema sold an 11.2% equity stake in Ristango Holding Limited to Nevsky Property Investments Limited, controlled by VTB Capital, for RUB 7 billion. As a result, Sistema and VTB's effective stake in Binnopharm Group is 75.3%; VTB Capital holds 11.2%, and a consortium of investors consisting of the Russian Direct Investment Fund (RDIF), the Russia-China Investment Fund (co-founded by RDIF and China Investment Corporation) and leading Middle Eastern funds holds 12.5%.
- ✓ **New dividend policy.** In May 2021, the Board of Directors approved a new dividend policy, under which the Corporation targets annual payments of no less than RUB 0.31 per ordinary share in 2021, RUB 0.41 per ordinary share in 2022 and RUB 0.52 per ordinary share in 2023. In addition to the basic dividend, the Board of Directors has recommended that, starting from 2022, Sistema distribute 10% of the absolute growth in its adjusted OIBDA for the previous year to shareholders, in the event that the Corporation delivers absolute OIBDA growth of more than 5% for the previous year and that the net debt / OIBDA ratio does not exceed 3.0x as of the end of the previous year.
- ✓ In June 2021, the Annual General Meeting of shareholders approved the distribution of dividends totalling RUB 2,991.5 million, or RUB 0.31 per ordinary share for full year 2020.
- ✓ **Improved credit ratings.** In May 2021, S&P affirmed Sistema's rating at BB and revised the outlook to positive from stable. The agency noted the increase in the share of liquid assets in Sistema's portfolio and the increase in the value of its asset portfolio as a result of the Ozon and Segezha Group IPOs. In June 2021, Fitch Ratings upgraded Sistema's rating to BB with a stable outlook, noting the considerable increase in the scale of the business operations of Segezha Group, Steppe and Medsi, as well as the elimination of currency risks in the Corporation's debt portfolio.
- ✓ **Debt capital markets programme.** In April 2021, the Corporation placed RUB 10 billion of series 001P-20 bonds with a semi-annual coupon rate of 8.2% per annum. In July 2021, the Corporation placed RUB 15 billion of series 001P-21 bonds with a semi-annual coupon rate of 8.4% per annum. In August 2021, the Corporation completed bookbuilding of series 001P-22 bonds amounting to of RUB 15 billion with a quarterly coupon rate of 8.2% per annum.
- ✓ **Sistema stock buyback.** The extended buyback programme provides for the repurchase of up to RUB 7.0 billion worth of the Corporation's ordinary shares by a wholly owned subsidiary of Sistema by 17 September 2022. The maximum number of shares to be repurchased under the Programme is capped at 343 million. As of 23 August 2021, 173.4 million shares had been repurchased.
- ✓ **MTS stock buyback.** From May to July 2021, as part of the MTS programme to buy back stock up to a value of RUB 15 billion, Sistema's wholly owned subsidiary Sistema Finance S.A. along with Sistema PJSC sold a total of 22,796,040 ordinary shares and American depository shares of PJSC MTS for a consideration of RUB 7.5 billion to LLC Bastion, a wholly owned subsidiary of MTS.

PROGRESS IN ESG

- ✓ **Approval of new ESG policies.** In May 2021, Sistema's Board of Directors approved an Environmental Policy and a Human Rights Policy. These documents enhance Sistema's ESG management system and elaborate on the provisions of its Sustainability Policy. They provide guidance to help portfolio companies improve their management of environmental and human rights issues, thereby reducing the exposure of Sistema's investment portfolio to environmental and social risks.

¹ Taking into account the partial exercise of the option for an additional placement of secondary shares as part of the stabilisation procedure following the IPO and the option exercise on the part of Segezha Group President Mikhail Shamolin.

2Q 2021 FINANCIAL RESULTS

- ✓ **Consolidated revenue** grew by 16.0% year-on-year to RUB 180.0 billion.
- ✓ **Adjusted OIBDA²** increased by 6.7% year-on-year to RUB 58.5 billion.
- ✓ **Adjusted OIBDA margin** was 32.5%.
- ✓ **Adjusted net loss attributable to Sistema** was RUB 3.4 billion.

Vladimir Chirakhov, President and Chief Executive Officer of Sistema, said:

"In the second quarter of 2021 we delivered accelerated growth of revenue and adjusted OIBDA of 16% and 7%, respectively, driven by strong performance from our public and non-public assets. MTS accelerated growth into double digits amid growth in demand for telecoms and financial services, as well as growth of revenue from the retail segment and also thanks to contributions from digital and cloud solutions for business and the media segment. Segezha Group increased revenue by 45% year-on-year amid a favourable pricing environment and growth of demand as the global construction sector recovers, as well as due to productivity growth and the launch of new higher-margin products. Solid revenue growth delivered by Steppe of 77% year-on-year was driven by growth in the Field Crops and Agrotrading segments due to increased exports of agricultural crops, sales of stock from last year's harvest and higher global grain prices, as well as positive dynamics in the Dairy segment as sales volumes of milk increased, and growth of revenue from the Sugar and Grocery Trading segment. Medsi grew revenue by 60% year-on-year as demand for regular medical services recovered amid continued demand for COVID-19 diagnostics, prevention and treatment. Binnopharm Group delivered revenue growth as it continued to execute on a strategy of aggressive sales growth into the hospital and retail segments.

"Our unconsolidated portfolio companies also delivered high growth rates during the period as their businesses continued to expand. Ozon continued its dynamic growth despite the high base of 2Q 2020 when online shopping boomed to anomalous levels during lockdown. Ozon's revenue in 2Q 2021 grew by 94% year-on-year, while average growth over the past few years reached 136%, underscoring the persistent trend of triple-digit growth. Etalon Group's real estate sales totalled 122.3 thousand sqm or RUB 24.9 billion, up 29% and 115% year-on-year, respectively. To support future growth Etalon has already launched sales for its flagship ZIL-Yug project and the second phase of Nagatino i-Land. The company is also focusing on expanding its offering by acquiring new projects, some of which are planned for launch in 1H 2022.

"Key events during the period included the IPO of Segezha Group, during which the company raised RUB 30 billion in new capital to reduce its debt and invest in attractive new projects that will substantially grow both the business and shareholder value. We are also pleased that our work to build a leading pharmaceuticals holding has been recognised by VTB Group, which previously provided financing for the project and in June 2021 became a shareholder when VTB Capital acquired an 11% stake in Binnopharm Group."

² Here and hereinafter, see Annex A.

SISTEMA RESULTS REVIEW

(RUB mln)	2Q 2021	2Q 2020	Change	1H 2021	1H 2020	Change
Revenue	180,008	155,124	16.0%	351,544	313,370	12.2%
Adj. OIBDA	58,491	54,843	6.7%	115,421	108,497	6.4%
Operating income	25,770	24,068	7.1%	51,154	46,963	8.9%
Net (loss)/profit attributable to Sistema	(3,883)	581	-	(6,283)	(9,633)	-
Adj. net (loss)/profit attributable to Sistema	(3,387)	1,935	-	(5,786)	(7,475)	-

Sistema's consolidated revenue increased by 16.0% year-on-year to RUB 180.0 billion, driven by revenue growth at key assets: at MTS, thanks to higher consumption of telecoms and financial services, increased revenue in the retail segment, as well as a significant contribution from digital and cloud-based solutions for business and media products; at Segezha Group, mainly due to a recovery in demand from the construction industry, which drove positive price dynamics across all of the Group's product types, as well as rouble depreciation; at Steppe, thanks to increased revenue in all key segments; and at Medsi, due to a recovery in demand for routine medical care amid continued demand for services related to COVID-19.

The Group's adjusted OIBDA³ increased by 6.7% year-on-year to RUB 58.5 billion primarily due to increases in adjusted OIBDA at portfolio companies: at MTS, following revenue growth, and thanks to MTS Bank's positive contribution to OIBDA growth; at Segezha Group, following revenue as well as due to the execution of a strategy to produce higher-margin plywood and packaging products, measures to contain cost increases, productivity growth, additional subsidies for logistics and a reduction in administrative costs; at Steppe, thanks to the sale of own and third-party agricultural products, and an increase in prices for wheat, corn and niche crops as well as an increase in gross yield; and

at Medsi, following revenue as well as profit from participation in the Nebo residential complex development project.

The adjusted net loss in 2Q 2021 was RUB 3.4 billion.

Group SG&A costs increased by 33.3% to RUB 37.5 billion due to higher SG&A costs at MTS, the Corporate Centre and Segezha Group. The increase in the Corporate Centre's SG&A costs was driven by the variable part of the compensation from monetisations and transactions, and also reflected provisions for the LTI programme. The increase in MTS's SG&A costs was driven by higher payroll costs for its retail network on the back of a low base in 2Q 2020, when many stores were closed. Segezha Group's SG&A costs increased due to costs associated with its IPO.

Group capex increased to RUB 36.6 billion as a result of investment at MTS in network development with an emphasis on expanding 4G capacity and investments in new business lines, the impact of capex at Segezha Group for the modernisation of the Segezha and Sokol PPMs and the acquisition of new converting lines, as well as an increase in investment at Steppe in the construction and modernisation of dairy farms, as well as upgrades to agricultural equipment and acquisitions of land plots.

³ Reflection of the share of Ozon's increased net loss attributable to the Group in the amount of RUB 3.5 billion (the loss amounted to RUB 5.0 billion in 2Q 2021 vs RUB 1.5 billion in 2Q 2020) had an impact on the dynamics of the Group's adjusted OIBDA.

OVERVIEW OF PORTFOLIO COMPANIES



MTS

LEADING TELECOMMUNICATIONS OPERATOR AND DIGITAL SERVICES PROVIDER IN RUSSIA

(RUB mln ⁴)	2Q 2021	2Q 2020	Change	1H 2021	1H 2020	Change
Revenue	128,575	116,236	10.6%	252,515	233,711	8.0%
Adj. OIBDA	57,069	51,509	10.8%	112,494	103,675	8.5%
Adj. OIBDA margin	44.4%	44.3%	0.1 p.p.	44.5%	44.4%	0.2 p.p.
Operating income	30,309	25,953	16.8%	58,949	53,121	11.0%
Adj. net profit attributable to Sistema	8,616	6,346	35.8%	16,709	15,376	8.7%

In 2Q 2021, **MTS's revenue increased by 10.6% year-on-year** to RUB 128.6 billion, driven by increased consumption of telecoms and financial services, higher revenue from the retail segment in part due to the low base of 2Q 2020, when stores were closed due to the pandemic, and also due to a significant contribution from digital and cloud-based solutions for business and media products.

In 2Q 2021, **adjusted OIBDA amounted to RUB 57.1 billion, an increase of 10.8% year-on-year** on the back of revenue growth due in part to an increase in telecom segment revenues and MTS Bank's positive contribution to OIBDA growth.

Adjusted OIBDA margin in 2Q 2021 **was 44.4%**, an increase of 0.1 p.p. year-on-year. In 2Q 2021, **adjusted net profit increased by 35.8% year-on-year** to RUB 8.6 billion due to a significant contribution from MTS Bank, the positive results of FX and derivatives operations, as well as decreased interest expenses.

Capex. In 2Q 2021, capex increased by 25.2% year-on-year to RUB 25.8 billion mainly due to increased investments in network development, with a focus on expanding 4G capacity, and investments in new business lines.

OUTLOOK FOR 2021

MTS has revised its guidance for 2021 upward and now expects high-single-digit revenue growth in 2021, OIBDA growth of at least 5% and capex of RUB 100-110 billion.

KEY HIGHLIGHTS IN 2Q 2021 AND AFTER THE END OF THE REPORTING PERIOD

Development of IT solutions for business. In June 2021, MTS completed a deal to acquire a 100% equity in OJSC Multiregional TransitTelecom (MTT), a federal provider of intelligent telecom and IT solutions for businesses.

High credit ratings. In June 2021, Fitch Ratings affirmed MTS's credit rating and revised the outlook from stable to positive.

Stock buyback programme. In July 2021, MTS completed its stock buyback programme, announced in March, by purchasing 45,401,921 ordinary shares (including ADSs), which is 2.27% of MTS's total shares outstanding, for a total consideration of about RUB 15 billion.

Fintech development. In July 2021, MTS, together with Digital Horizon, acquired a 51% equity stake in LLC Factorin LLC, which owns Factorin, a leading global blockchain system for trade finance and the largest platform for factoring and dynamic discounting in Russia. The deal was valued at RUB 867 million.

High dividend payments. In August 2021, MTS paid out dividends for 2020 in the amount of RUB 26.51 per ordinary share (RUB 53.02 per ADR). In July, MTS's Board of Directors recommended that an Extraordinary General Meeting of Shareholders approve interim dividends for 1H 2021 in the amount of RUB 10.55 per ordinary share (RUB 21.10 per ADR).

⁴ MTS's results are presented including the divestment of NVision Group in 4Q 2020. The results for 2020 are restated due to the divestment of NVision Group.

SEGEZHA GROUP

LEADING RUSSIAN VERTICALLY INTEGRATED FORESTRY HOLDING

(RUB mln)	2Q 2021	2Q 2020	Change	1H 2021	1H 2020	Change
Revenue	24,454	16,879	44.9%	42,671	31,211	36.7%
OIBDA	8,158	3,578	128.0%	13,186	6,204	112.5%
OIBDA margin	33.4%	21.2%	12.2 p.p.	30.9%	19.9%	11.0 p.p.
Operating income	6,399	2,012	218.0%	9,786	3,103	215.3%
Net profit/(loss) attributable to Sistema	4,185	3,156	32.6%	6,552	(2,064)	-

Segezha Group's revenue increased by 44.9% year-on-year to RUB 24.5 billion in 2Q 2021 mainly due to a recovery in demand from the construction industry, which drove positive price dynamics across all of the Group's product types. Global price growth was driven mainly by pent-up demand in the construction industry. Year-on-year changes in the average RUB exchange rate – the EUR appreciated by 12.1% and USD by 2.5% – also had a positive impact on revenue dynamics.

Segezha Group's OIBDA increased by 128.0% year-on-year in 2Q 2021 to RUB 8.2 billion mainly due to an increase in prices across all of the Group's product types, and also due to the execution of a strategy to produce higher-margin plywood and packaging products. OIBDA was also significantly impacted by measures taken to curb increases in production costs, such as the development of the Group's own logging operations, which brought the company's own timber supply to 78%, higher productivity, additional logistics subsidies and a reduction in administrative costs.

OIBDA margin increased by 12.2 p.p. year-on-year to 33.4% in 2Q 2021.

Net profit increased by 32.6% year-on-year to RUB 4.2 billion following higher operating profit.

Capex totalled RUB 4.7 billion. Investments were aimed at implementing the Group's approved development strategy: notably, the modernisation of the Segezha and Sokol PPMs, the development of the paper packaging segment through the acquisition of new converting lines and the construction of a boiler and a pellet plant in Sokol at the Sokol Woodworking Plant.

Net debt totalled RUB 28.6 billion in 2Q 2021, down 39.4% year-on-year as a result of the company raising RUB 30.0 billion in its IPO in April 2021.

Paper production decreased by 7.1% year-on-year to 97.4 thousand tonnes⁵ mainly due to scheduled renovations at the Segezha PPM as part of the approved modernisation programme. Paper sales volumes decreased by 20.4% to

58.6 thousand tonnes following a decrease in production volumes.

In 2Q 2021, Segezha Group sold 400.3 million **paper sacks**⁶, an increase of 15.9% year-on-year. Recovery in demand from the construction industry was a favourable factor, driving an increase in sales of cement sacks. Production volumes increased by 14.2% year-on-year to 385.9 million units, in line with increased sales.

Birch plywood production totalled 48.0 thousand cubic metres in 2Q 2021, a decrease of 2.9% year-on-year. Amid a recovery in demand, sales totalled 50.4 thousand cubic metres, up 11.5% year-on-year.

Sawn timber production decreased by 8.8% year-on-year to 273.0 thousand cubic metres in 2Q 2021 mainly due to the reallocation of a larger volume of commercial sawn timber at the Sokol PPM for the production of glulam products and CLT panels. At the same time, sawn timber sales volumes decreased by 18.2% to 267 thousand cubic metres in 2Q 2021 following a decrease in production.

Production of glulam products and house kits increased 6.5x year-on-year thanks to the launch of a new splicing line. Sales grew 4.9x year-on-year on the back of higher production volumes.

KEY HIGHLIGHTS IN 2Q 2021 AND AFTER THE END OF THE REPORTING PERIOD

New dividend policy. In April 2021, a dividend policy was approved that calls for the payment of up to RUB 5.5 billion each year for the period 2021-2023, and of up to 100% of FCF starting in 2024. The policy also provides for the possibility of increasing dividends in the case of a more stable market and provided there is leverage headroom.

IPO. In April 2021, Segezha Group held an IPO on Moscow Exchange, attracting a wide range of institutional investors from across Europe, the United Kingdom, the United States and Asia, along with a sizeable number of both institutional and retail investors from Russia. The Company raised RUB 30 billion as a result. Upon completion of the IPO, Segezha Group's free

⁵ Approximately 42% of paper produced was supplied to Segezha Group's own converting facilities to produce paper packaging.

⁶ Including 27.2 million consumer paper bags.

float was 23.9%. Sistema's stake amounts to 72.0%⁷. Segezha Group's shares are included in Moscow Exchange's Level 1 quotation list.

ESG progress. In August 2021, Segezha Group received its first international ESG rating from Sustainalytics, one of the sector's leading rating agencies. The agency assigned the company a risk rating of medium (with a score of 21.4, where 0 is the best-possible score), which puts it in the first quartile of companies in the Paper and Forestry sector.

⁷ Taking into account the partial exercise of the option for an additional placement of secondary shares as part of the stabilisation procedure following the IPO and the option exercise on the part of Segezha Group President Mikhail Shamolin.

AGROHOLDING STEPPE



ONE OF RUSSIA'S LARGEST AGRICULTURE HOLDINGS AND LANDOWNERS

(RUB mln ⁸)	2Q 2021	2Q 2020	Change	1H 2021	1H 2020	Change
Revenue	4,845	2,743	76.6%	11,596	7,579	53.0%
Adj. OIBDA	2,013	1,970	2.2%	3,210	2,694	19.2%
Adj. OIBDA margin	41.6%	71.8%	(30.3 p.p.)	27.7%	35.5%	(7.9 p.p.)
Operating income ⁹	1,334	1,758	(24.1%)	2,226	2,236	(0.4%)
Adj. net profit attributable to Sistema	1,069	1,717	(37.7%)	1,368	1,839	(25.6%)

Steppe's revenue in 2Q 2021 increased by 76.6% year-on-year to RUB 4.8 billion mainly due to higher revenue in the Field Crop and Agrot trading segments thanks to an increase in agricultural exports, the sale of carryovers and higher global grain prices, positive dynamics in the Dairy Farming segment as a result of an increase in milk sales, as well as revenue growth in the Sugar and Grocery Trading segment.

In 2Q 2021, **OIBDA increased by 2.2% year-on-year to RUB 2.0 billion** mainly due to efficient sales of the company's own and third-party agricultural products; higher prices for wheat, corn and niche crops; as well as a higher gross yield as a result of an increase in the number of highly productive dairy cows in the Dairy Farming segment.

Revenue grew faster than OIBDA due to higher revenue from trading operations.

OIBDA margin in 2Q 2021 decreased by 30.3 p.p. year-on-year to 41.6%.

In 2Q 2021, Steppe's **net profit** decreased by 37.7% year-on-year to RUB 1.1 billion.

Steppe's capex in 2Q 2021 totalled RUB 1.0 billion. The majority of capex was used to fund the construction of and upgrades to dairy farms, the purchase of agricultural machinery as well as the acquisition of land plots.

Net debt in 2Q 2021 increased by 21.7% year-on-year as a result of the implementation of projects to increase the output of value-added products.

Steppe's **land bank** stood at **566,000 hectares**.

During the 2020/2021 season, Steppe harvested a **record wheat crop** of around 1 million tonnes, which will be sold starting in 2H 2021. The share of niche crops in crop rotation also increased. **The average export price for wheat** in 1H 2021 increased by 16% year-on-year.

The Dairy Farming segment continues to deliver steady growth in terms of operating performance: the gross yield in 2Q 2021 increased by 20% year-on-year to 20.6 thousand tonnes, and the dairy herd numbered 7,496 head of cattle as of the end of the period. The average daily milk production per cow in 2Q 2021 was 31.0 kg.

Sales volumes in the Agrot trading segment for the 2020/2021 season increased by 15.2% year-on-year to 1,274 thousand tonnes. An efficient sales strategy and the launch of Swiss-based agricultural trading operations drove the company's strong financial performance.

Sales volumes in the Sugar & Grocery Trading segment in 1H 2021 totalled 134 thousand tonnes, down 5% year-on-year. The slight decrease was due to the introduction of price caps for sugar. The company is working to increase the volume of sales of packaged products, and entered a new market in 2Q 2021 with the launch of the production and sales of Steppe-branded snacks.

KEY HIGHLIGHTS AFTER THE END OF THE REPORTING PERIOD

In July 2021, Steppe acquired a 100% stake in PIR Group, a leading producer of packaged cheese in Russia and one of the largest distributors of cheese, dairy products and plant-based alternatives.

⁸ RZ Agro is reflected in Steppe's IFRS accounts as an investment in a joint venture. Agroholding Steppe's financial results reflect the divestiture of AGK Yuzhny in May 2020.

⁹ Excluding profit from the acquisition of subsidiaries.



MEDSI

LEADING PRIVATE HEALTHCARE OPERATOR IN RUSSIA

(RUB mln)	2Q 2021	2Q 2020	Change	1H 2021	1H 2020	Change
Revenue	7,363	4,593	60.3%	14,603	10,495	39.1%
Adj. ¹⁰ OIBDA	1,857	1,156	60.7%	3,247	2,273	42.9%
Adj. OIBDA margin	25.2%	25.2%	0.1 p.p.	22.2%	21.7%	0.6 p.p.
Operating income	1,080	377	186.7%	1,710	1,001	70.9%
Adj. net profit attributable to Sistema	1,081	325	232.6%	1,577	659	139.4%

Medsi delivered significant revenue growth in 2Q 2021, 60.3% year-on-year to RUB 7.4 billion, due to the recovery in demand for routine medical care and continued demand for COVID-19-related services, including testing, CT chest scans and treatment at the Otradnoe infectious diseases clinic, and also thanks to developments in in-home care and telemedicine. The acceleration in growth rates compared with 1Q 2021 was due to the low base effect as 2Q 2020 saw a sharp decrease in patient flows as a result of restrictions introduced to combat COVID-19.

Adjusted OIBDA increased significantly, by 60.7% year-on-year to RUB 1.9 billion, in 2Q 2021 on the back of positive revenue growth. At the same time, the net debt / adjusted OIBDA LTM ratio remained at a comfortable level of 1.0x. Participation in the Nebo residential development project contributed RUB 0.6 billion to adjusted OIBDA in 2Q 2021.

In 2Q 2021, **adjusted OIBDA margin stood at 25.2%**.

Adjusted net profit increased by 232.6% year-on-year to RUB 1.1 billion, driven by adjusted OIBDA dynamics.

Revenue from the Clinical Diagnostic Centre (CDC) at Belorusskaya in 2Q 2021 totalled RUB 867 million. OIBDA reached RUB 420 million, with an OIBDA margin of 48%.

Revenue from the CDC at Krasnaya Presnya in 2Q 2021 totalled RUB 976 million. OIBDA reached RUB 541 million, with an OIBDA margin of 55%.

Utilisation in 2Q 2021 increased by 32 p.p. year-on-year to 55% for outpatient facilities¹¹ and by 9 p.p. year-on-year to 92% for inpatient facilities¹² due to the resumption of routine medical care while maintaining additional revenue for the diagnosis and treatment of COVID-19.

The average cheque decreased by 30.1% year-on-year to RUB 2,900 in 2Q 2021 due to a reduction in the share of services related to the diagnosis and treatment of COVID-19. At the same time, the decrease in the average cheque was offset by a significant increase in the number of visits and services provided.

Floor space increased by 4.1% year-on-year to 219.4 thousand square metres in 2Q 2021 thanks to the opening of new clinics in Moscow (CDCs at Maryino and Shchelkovo, and clinics at Aviatsionnaya and Poletaeva).

KEY HIGHLIGHTS IN 2Q 2021 AND AFTER THE END OF THE REPORTING PERIOD

Network expansion. Construction continued on a new medical centre on Michurinsky Prospekt, with more than 34 thousand square metres of floor space, with the opening planned for 1H 2022. The medical centre will include a CDC for children and adults, a daytime inpatient clinic and a 24-hour inpatient clinic with a centre for high-tech surgery.

In May 2021, a CDC with 3,633 square metres of floor space was launched in the city of Shchelkovo in the Moscow region.

Rapid growth in installations of the SmartMed telemedicine app and use of digital services. The number of installations as of the end of 2Q 2021 had increased 2.2x year-on-year. The number of appointments made through the app, excluding instrumental and laboratory diagnostics, now exceeds appointments made through all other channels.

New lines of credit. In June 2021, Gazprombank provided Medsi with a RUB 2 billion line of credit for a period of three years. The funds will be used for general corporate purposes.

¹⁰ For all adjusted indicators, adjustments are made for accruals related to the LTI programme.

¹¹ Outpatient facilities in Moscow.

¹² Utilisation accounts for multiple use of one inpatient bed at daytime inpatient facilities.

BINNOPHARM GROUP



LEADING VERTICALLY INTEGRATED PHARMACEUTICALS HOLDING

(RUB mln ¹³)	2Q 2021	2Q 2020	Change	1H 2021	1H 2020	Change
Revenue	5,840	5,530	5.6%	11,202	9,429	18.8%
OIBDA	2,071	1,308	58.4%	3,703	1,738	113.1%
OIBDA margin	35.5%	23.7%	12 p.p.	33.1%	18.4%	15 p.p.
Operating income	1,760	1,094	60.9%	3,074	1,258	144.4%
Adj. net profit	1,277	568	124.7%	2,029	214	848.8%

Revenue in 2Q 2021 and in 1H 2021 grew by 5.6% and 18.8% and year-on-year, respectively, as a result of the execution of a diversified commercial strategy focused on expanding Binnopharm's product presence in different segments of the pharmaceutical market. **Growth in the hospital segment in 1H 2021 expanded by 35% year-on-year** in part due to strong sales of antibiotics and medicines used to treat COVID-19. Due to successful contracting with the pharmacies, **retail sales rose 20%**, notably with a significant increase in sales of products that improve quality of life: the vein tonic Venarus, the symbiotic Maxilac and the antispasmodic Neobutin. According to the analytical agency Allpharm, Binnopharm's year-on-year growth in sell-out (supplies to retail pharmacy chains) – in 1H 2021 exceeded the market growth rate by 20 p.p.

OIBDA in 2Q 2021 and 1H 2021 demonstrated substantial growth of 58.4% and 113.1% year-on-year, respectively, on the back of revenue growth, product portfolio optimisation and the realisation of synergies across the holding's businesses, including a reduction in administration and commercial costs as a share of revenue. **Positive net profit dynamics in 2Q 2021 and 1H 2021 year-on-year were mainly driven by the increase in OIBDA.**

In 1H 2021, **net debt decreased year-on-year to RUB 8.6 billion** on the back of positive cash flow from operating activities and as a result of efficient working capital management.

KEY HIGHLIGHTS IN 2Q 2021 AND AFTER THE END OF THE REPORTING PERIOD

Increased stake in JSC Sintez. In May 2021, Sistema contributed its 32.4% stake in JSC Sintez, acquired from National Immunobiological Company, controlled by Rostec, to the equity capital of Binnopharm Group, bringing Binnopharm Group's ownership stake in JSC Sintez to 88.6%.

Increased stake in Ristango Holding Limited. In April 2021, Sistema purchased a 3.95% equity stake in Ristango Holding Limited from minority shareholders for RUB 1.2 billion.

Gaining control of Binnopharm Group. On 25 June 2021, Ristango Holding Limited shareholders signed a new shareholder agreement. According to the agreement, Sistema had obtained control over the operating activities of Ristango Holding Limited, the 100% owner of Binnopharm Group, which provided the basis for consolidating Binnopharm Group's results in Sistema's financial statements as of that date.

Sale of a stake in Ristango Holding Limited to an investor. In June 2021, Sistema's wholly owned subsidiary Sistema Telecom Assets sold an 11.2% equity stake in Ristango Holding Limited, the 100% owner of Binnopharm Group, to Nevsky Property Investments Limited, controlled by VTB Capital, for a consideration of RUB 7 billion.

Execution of an agreement on the acquisition of VTB's stake in Ristango Holding Limited. In July 2021, Sistema exercised its right under a share acquisition agreement concluded with VTB Bank, and purchased, ahead of schedule, VTB Bank's 20.97% stake in Ristango Holding Limited for RUB 6.7 billion.

¹³ Binnopharm Group's financial results are presented as a combination of the financial results of JSC Alium and JSC Sintez based on management accounts. Binnopharm Group's financial results have been consolidated in Sistema's financial statements since 25 June 2021. Net profit figures are shown as 100% attributable to Sistema. Net profit is shown as excluding accrued deferred profit tax liabilities (RUB 935 million), accounted with the acquisition of Binnopharm Group's assets.

BUSINESS NEDVIZHIMOST

RENTAL ASSETS WITH A UNIQUE POOL OF PROPERTIES

(RUB mln)	2Q 2021	2Q 2020	Change	1H 2021	1H 2020	Change
Revenue	948	996	(4.8%)	1,874	1,984	(5.5%)
OIBDA	718	414	73.2%	1,012	686	47.5%
OIBDA margin	75.7%	41.6%	34.1 p.p.	54.0%	34.6%	19.4 p.p.
Operating income	580	273	112.5%	749	427	75.4%
Net profit attributable to Sistema	263	88	199.2%	312	276	13.0%

Revenue at Business Nedvizhimost in 2Q 2021 decreased slightly, by 4.8% year-on-year, mainly due to lower revenue from the sale of land plots in the Moscow region.

In 2Q 2021, **OIBDA increased by 73.2% year-on-year** to RUB 0.7 billion, resulting in a **34.1 p.p. increase in the OIBDA margin** to 75.7%. This growth was primarily the result of cost optimisation and a decrease in the cadastral value of land plots.

Net profit increased by 199.2% to RUB 0.3 billion on the back of operating income growth.

KEY HIGHLIGHTS IN 2Q 2021 AND AFTER THE END OF THE REPORTING PERIOD

Business reorganisation. In July 2021, the Annual General Meeting of Shareholders of Business Nedvizhimost approved the restructuring of the company through a spin-off of the country properties segment. This reorganisation will enable Business Nedvizhimost to focus on improving the efficiency of its core business.

BPGC

ONE OF RUSSIA'S BIGGEST POWER GRID COMPANIES

(RUB mln)	2Q 2021	2Q 2020	Change	1H 2021	1H 2020	Change
Revenue	4,540	4,540	0.0%	9,772	10,381	(5.9%)
OIBDA	1,686	1,229	37.2%	2,660	3,139	(15.3%)
OIBDA margin	37.1%	27.1%	10.1 p.p.	27.2%	30.2%	(3.0 p.p.)
Operating income	975	526	85.4%	1,239	1,735	(28.6%)
Net profit attributable to Sistema	716	373	92.2%	901	1,259	(28.4%)

Revenue at BPGC in 2Q 2021 was flat year-on-year at RUB 4.5 billion. Revenue growth was constrained by lower consumption in the oil and gas sector due to the OPEC+ deal that entered into force in May 2020.

In 2Q 2021, **OIBDA increased by 37.2% year-on-year** to RUB 1.7 billion mainly as a result of other operating income due to the resolution of disputes related to operating activities, which was partially offset by the higher cost of services provided by the Federal Grid Company.

OIBDA margin was 37.1% in 2Q 2021, **an increase of 10.1 p.p.** year-on-year.

Net profit in 2Q 2021 increased by 92.2% year-on-year to RUB 0.7 billion primarily as a result of OIBDA growth.

The company is currently carrying out the following key investment projects aimed at developing the region and improving the reliability of energy supply for consumers: construction of the 110 kW high-voltage Uzyan–Bainazarovo line, with a length of 60 km, in the Beloretsk region of Bashkortostan (implementation period from 2019 to 2022, at a planned cost RUB 325 million and with capex of RUB 33.5 million in 2Q 2021), construction of the 110 kW Romanovka substation with a power transmission supply line in the Ufa region of Bashkortostan (implementation period from 2020 to 2021, at a planned cost of RUB 250 million and with capex of RUB 36.5 million in 2Q 2021) and the design of the 110 kW Inors substation with a power transmission supply line in Ufa (implementation period from 2021 to 2023 at a planned cost RUB 460 million).

COSMOS HOTEL GROUP¹⁴

ONE OF RUSSIA'S LEADING HOTEL MANAGEMENT COMPANIES

(RUB mln)	2Q 2021	2Q 2020	Change	1H 2021	1H 2020	Change
Revenue	1,019	192	431.7%	1,663	1,003	65.8%
Adj. OIBDA	286	(193)	-	220	(169)	-
Adj. OIBDA margin	28.1%	(100.6%)	128.7 p.p.	13.3%	(16.9%)	30.1 p.p.
Operating profit/(loss)	112	(366)	-	(126)	(1,628)	-
Adj. net profit/(loss) attributable to Sistema	15	(428)	-	(308)	(857)	-

Revenue at Cosmos Hotel Group increased by 431.7% year-on-year in 2Q 2021 to RUB 1.0 billion as most of the restrictions imposed on the operation of hotels due to the pandemic were lifted; the operations of nearly all hotels were suspended in 2Q 2020.

On the back of a partial recovery in revenue, **adjusted OIBDA** amounted to RUB 286 million in 2Q 2021, compared with a negative result a year earlier. **Adjusted OIBDA margin** was 28.1% in 2Q 2021.

Adjusted net profit amounted to RUB 15 million in 2Q 2021, compared with an adjusted net loss of RUB 428 million a year earlier.

The share of revenue from hotels outside Russia in 2Q 2021 was 15.5%.

ADR¹⁵ for the Group's hotel portfolio in 2Q 2021 increased by 20.8% year-on-year to RUB 3.8 thousand.

RevPAR¹⁶ for the hotel portfolio increased by 305% from RUB 0.6 thousand to RUB 2.3 thousand on the back of a recovery in occupancy.

Average occupancy in 2Q 2021 increased by 41.6 p.p. to 59.2% due to the lifting of restrictions on the operation of hotels and a partial recovery in tourist and business flows.

KEY HIGHLIGHTS IN 2Q 2021 AND AFTER THE END OF THE REPORTING PERIOD

Expansion of the hotel chain. In May 2021, an agreement was signed to manage a Hilton Garden Inn in Moscow. Scheduled to open in November 2021, the four-star hotel will offer guests 237 comfortable modern rooms. Hilton Garden Inn Moscow Paveletskaya will be the Cosmos Hotel Group's fifth hotel in Moscow. The hotel will be the first international-brand property to be operated, but not owned, by Cosmos Hotel Group, in line with the company's strategy aimed at creating the leading hotel chain in Russia.

In June 2021, an agreement was signed for the construction of a hotel complex at the Sheregesh alpine ski resort in the Kemerovo region. Total investment in the project will amount to RUB 1.2 billion. Scheduled to open in early 2023, the complex will consist of 200 rooms and will meet all international standards for four-star resort hotels.

Hotel rebranding. As part of the rebranding programme, the Park Inn hotels in Astrakhan, Volgograd, Izhevsk, Kazan, Sochi, Novosibirsk and Yaroslavl were renamed Cosmos Hotels in July 2021. New service standards were also rolled out, and the properties were linked to the Cosmos Travel booking system.

¹⁴ Based on management accounts.

¹⁵ Average daily rate.

¹⁶ Revenue per available room per day.

CORPORATE CENTRE

(RUB mln)	2Q 2021	2Q 2020	Change	1H 2021	1H 2020	Change
OIBDA	(11,859)	(3,394)	-	(16,859)	(7,591)	-
Net loss	(16,397)	(6,620)	-	(25,721)	(18,413)	-
Corporate Centre's financial liabilities ¹⁷	210,116	198,281	6.0%	210,116	198,281	6.0%

The Corporate Centre comprises Sistema and companies that control and manage Sistema's interests in its subsidiaries and associates.

Corporate Centre expenses grew mainly due to the increase in SG&A costs driven by the variable part of the compensation from monetisations and transactions, and also reflected provisions for the LTI programme, suspended in 2018 and resumed in 2020, as well as the increase in net loss of OZON reflected in the Corporate Centre's OIBDA in the share of Sistema.

The Corporate Centre's financial liabilities increased by 6.0% year-on-year due to the issue of RUB-denominated bonds. As of 30 June 2021, RUB-denominated financing accounted for 100% of the Corporate Centre's financial liabilities. Bonds accounted for 73% of the Corporate Centre's debt as of the end of 2Q 2021, up from 50% a year earlier.

In May 2021, Sistema, through its 100% subsidiary Capgrowth Investments Limited ("Capgrowth"), participated in the offer of rights to subscribe to new-issue ordinary shares to existing holders of Etalon Group equity securities, in proportion to Capgrowth's share in the capital of Etalon Group - 25.6%. Capgrowth has subscribed for 22.63 million shares of the Company at a price of USD 1.7 per ordinary share for a total amount of RUB 2.8 billion.

Sistema PJSFC has also entered into a Total Return Swap agreement with Alfa Bank JSC (the "Bank") in respect of Etalon Group's global depository receipts (the "GDRs" and the "TRS Agreement"), involving the transfer of exclusively property, but not voting rights to Sistema, under which the Bank acquired a total of 72.85 million GDRs for a RUB 9.4 billion («Purchase price»). The TRS agreement was concluded for a period of 30 months, taking into account a number of cases of early termination provided for by the TRS Agreement. TRS stipulates that any excess of the Purchase Price plus interest over the market value of underlying GDRs during the period of agreement is to be paid by Sistema to the Bank and the other way round – any excess of the market value of underlying GDRs over the Purchase Price plus interest are to be paid by the Bank to Sistema.. Simultaneously with the TRS Agreement, an Option Agreement was signed between the Bank and Capgrowth, according to which (i) Capgrowth has the right to redeem all GDRs acquired by the Bank pursuant to the TRS Agreement (the "Call Option") and (ii) in the event that Capgrowth does not exercise the Call Option, the Bank has the right to sell the entire existing package of

GDRs to a third party and, further, in the absence of an interested buyer, to Capgrowth, in each case within the terms and conditions provided for in the Call Option.

In June 2021, Capgrowth, has acquired 4.2% (16.16 million GDR's) from other investors and increased its share in the capital of Etalon Group up to 29.79%.

¹⁷ Based on management accounts.

For further information, please visit www.sistema.ru or contact:

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Sistema PJSC is a publicly traded diversified Russian holding company serving over 150 million customers in the sectors of telecommunications, high technology, financial services, retail, paper and packaging, agriculture, real estate, tourism and medical services. The company was founded in 1993. Revenue in 2020 was RUB 691.6 billion; total assets equalled RUB 1.4 trillion as of 31 December 2020. Sistema's global depository receipts are listed under the "SSA" ticker on the London Stock Exchange. Sistema's ordinary shares are listed under the "AFKS" ticker on the Moscow Exchange. Website: www.sistema.ru.

The Company is not an investment company, and is not and will not be registered as such, under the U.S. Investment Company Act of 1940.

Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of Sistema. You can identify forward looking statements by terms such as "expect," "believe," "anticipate," "estimate," "intend," "will," "could," "may" or "might" the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. In addition, there is no assurance that the new contracts entered into by our subsidiaries referenced above will be completed on the terms contained therein or at all. We do not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, risks associated with operating in Russia, rapid technological and market change in our industries, impact of COVID-19 pandemic on macroeconomic situation on the markets of presence and financial results of Sistema and its subsidiaries and associates, as well as many other risks specifically related to Sistema and its operations.

SISTEMA PJSC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 2021 AND 2020
(Amounts in millions of Russian roubles, except per share amounts)

	Six months ended June 30		Three months ended June 30	
	2021	2020	2021	2020
Revenue	351 544	313 370	180 008	155 124
Cost of sales	(166 482)	(143 498)	(83 218)	(71 934)
Selling, general and administrative expenses	(68 281)	(58 480)	(37 453)	(28 099)
Depreciation and amortisation	(63 733)	(59 121)	(32 187)	(29 359)
Impairment of long-lived assets	(80)	(2 602)	26	(1 099)
Impairment of financial assets	(542)	(2 265)	52	(2 500)
Taxes other than income tax	(2 377)	(2 158)	(1 180)	(1 072)
Share of the profit or (loss) of associates and joint ventures	(4 682)	(2 114)	(3 713)	(568)
Other income	8 674	5 789	5 910	3 985
Other expenses	(2 887)	(1 958)	(2 475)	(410)
OPERATING INCOME	51 154	46 963	25 770	24 068
Finance income	3 180	2 965	1 856	1 867
Finance costs	(33 138)	(36 256)	(17 343)	(18 731)
Currency exchange (loss)/gain	355	(8 837)	(149)	2 703
Change in fair value of financial instruments	4 571	8 924	4 205	1 264
PROFIT BEFORE TAX	26 122	13 759	14 339	11 171
Income tax expense	(14 514)	(11 289)	(8 372)	(6 560)
Profit/(loss) from continuing operations	11 608	2 470	5 967	4 611
Profit from discontinued operations	178	2 441	32	1 778
Profit for the period	11 786	4 911	5 999	6 389
Attributable to:				
Shareholders of Sistema PJSC	(6 282)	(9 633)	(3 883)	581
Non-controlling interests	18 068	14 544	9 882	5 808
	11 786	4 911	5 999	6 389
Profit/(loss) per share (basic and diluted), in Russian Rubles:				
From continuing operations	(0,67)	(1,26)	(0,41)	(0,12)
From continuing and discontinued operations	(0,66)	(1,03)	(0,41)	0,06

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND DECEMBER 31, 2020
(Amounts in millions of Russian roubles)

	June 30, 2021	December 31, 2020
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	459 353	427 311
Investment property	11 909	12 649
Goodwill	81 619	57 204
Other intangible assets	106 644	99 749
Right-of-use asset	156 032	153 103
Investments in associates and joint ventures	66 012	73 856
Deferred tax assets	43 697	41 402
Other financial assets	184 250	158 629
Deposits in banks	26	22
Other assets	32 736	22 916
Total non-current assets	<u>1 142 278</u>	<u>1 046 841</u>
CURRENT ASSETS:		
Inventories	63 778	46 449
Contract asset	5 893	6 306
Accounts receivable	73 545	56 458
Advances paid and prepaid expenses	19 237	15 302
Current income tax assets	2 748	5 449
Other taxes receivable	21 885	17 636
Other financial assets	116 166	104 573
Deposits in banks	1 082	1 755
Restricted cash	2 558	4 310
Cash and cash equivalents	84 103	113 693
Other assets	2 057	2 544
Total current assets	<u>393 052</u>	<u>374 475</u>
TOTAL ASSETS	<u>1 535 330</u>	<u>1 421 316</u>

SISTEMA PJSC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND DECEMBER 31, 2020 (CONTINUED)
(Amounts in millions of Russian roubles)

	June 30,	December 31,
	2021	2020
LIABILITIES AND EQUITY		
EQUITY:		
Share capital	869	869
Treasury shares	(3 466)	(3 029)
Additional paid-in capital	97 158	75 279
Accumulated loss	(44 002)	(27 025)
Accumulated other comprehensive income	17 611	18 753
Equity attributable to shareholders of Sistema JSFC	68 170	64 847
Non-controlling interests	28 909	22 482
TOTAL EQUITY	97 079	87 329
NON-CURRENT LIABILITIES:		
Loans and borrowings	613 025	640 570
Lease liabilities	150 357	147 803
Bank deposits and liabilities	5 027	4 199
Deferred tax liabilities	37 149	34 769
Provisions	7 425	7 388
Other financial liabilities	19 537	3 745
Other liabilities	6 900	6 774
Total non-current liabilities	839 420	845 248
CURRENT LIABILITIES:		
Loans and borrowings	137 173	83 391
Lease liabilities	20 367	17 772
Accounts payable	107 379	102 148
Bank deposits and liabilities	201 256	195 346
Income tax payable	1 722	1 029
Other taxes payable	19 349	15 540
Dividends payable	28 563	3 325
Provisions	18 485	16 612
Contract liabilities and other liabilities	52 237	49 844
Other financial liabilities	12 300	3 732
Total current liabilities	598 831	488 739
TOTAL LIABILITIES	1 438 251	1 333 987
TOTAL EQUITY AND LIABILITIES	1 535 330	1 421 316

SISTEMA PJSFC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND JUNE 30, 2020
(Amounts in millions of Russian roubles)

	Six months ended June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the period	11 786	4 911
Adjustments for:		
Depreciation and amortization	63 733	59 121
Share of the profit of associates and joint ventures, net	4 682	2 114
Profit from disposal of interests in associates and joint ventures	-	(124)
Finance income	(3 180)	(2 965)
Finance costs	33 138	36 256
Income tax expense	14 514	11 289
Currency exchange loss/(gain)	(280)	8 837
(Gain) from disposal of subsidiaries	(178)	(2 910)
Change in the fair value of financial instruments	(4 571)	(8 924)
Profit on disposal of property, plant and equipment	(1 556)	(698)
Expected credit losses allowance on loans to customers	4 695	5 486
Non-cash compensation to employees	4 686	403
Impairment of long-lived assets	80	2 602
Impairment of financial assets	542	2 265
Other non-cash items	(1 918)	(1 572)
	<u>126 173</u>	<u>116 091</u>
Movements in working capital:		
Bank loans to customers and interbank loans due from banks	(45 198)	(9 460)
Bank deposits and liabilities	9 236	1 266
Restricted cash	1 609	1 719
Financial assets at fair value through profit or loss	803	(4 298)
Accounts receivable	(9 539)	1 220
Advances paid and prepaid expenses	(3 574)	(1 182)
Other taxes receivable	(3 140)	(433)
Inventories	(9 797)	(9 444)
Accounts payable	2 579	(1 428)
Subscriber prepayments	(9)	(675)
Other taxes payable	2 994	1 636
Advances received and other liabilities	4 811	(671)
Interest paid	(35 266)	(34 699)
Income tax paid	(10 563)	(8 230)
Dividends received from associates and joint ventures	2 141	716
	<u>2 141</u>	<u>716</u>
Net cash provided by operating activities	<u>33 260</u>	<u>52 128</u>

SISTEMA PJSC AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND JUNE 30, 2020 (CONTINUED)
(Amounts in millions of Russian roubles)

	Six months ended June 30	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment and investment property	(53 691)	(41 063)
Proceeds from sale of subsidiaries, net of cash acquired	1 336	(38)
Proceeds from sale of property, plant and equipment	2 660	2 504
Payments to obtain and fulfill contracts	(1 823)	(2 337)
Payments for purchases of intangible assets	(20 668)	(13 846)
Payments for purchases of subsidiaries, net of cash acquired	(10 603)	(3 030)
Payments for investments in associates and joint ventures	(9 895)	(2 010)
Proceeds from sale of investments in affiliated companies	-	8 930
Payments for financial assets, long-term	(14 281)	(7 510)
Proceeds from sale of financial assets, long-term	3 394	3 383
Payments for financial assets, short-term	(959)	(2 800)
Proceeds from sale of financial assets, short-term	3 864	12 798
Interest received	3 661	2 441
Other	(341)	(700)
Net cash used in investing activities	<u>(97 346)</u>	<u>(43 278)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	74 559	221 786
Principal payments of loans and borrowings	(55 948)	(144 469)
Principal payments of lease liabilities	(9 396)	(7 929)
Acquisition of non-controlling interests in existing subsidiaries	(11 198)	(860)
Proceeds from capital transactions with non-controlling interests	38 478	76
Dividends paid	(61)	(11 278)
Repurchase of own shares	(825)	-
Debt issuance costs	(174)	(114)
Payments under credit guarantee agreement related to foreign-currency hedge	-	-
Net cash provided/(used in) by financing activities	<u>35 435</u>	<u>57 212</u>
Effect of foreign currency translation on cash and cash equivalents	(939)	(1 313)
Net (decrease)/increase in cash and cash equivalents	<u>(29 590)</u>	<u>64 749</u>
Cash and cash equivalents at the beginning of the period	113 693	63 669
Cash and cash equivalents at the end of the period	84 103	128 418

Operating Income Before Depreciation and Amortisation (OIBDA) and OIBDA margin. OIBDA represents operating income before depreciation and amortisation. OIBDA margin is defined as OIBDA as a percentage of our net revenues. Our OIBDA may not be similar to the OIBDA measures of other companies; is not a measurement under accounting principles generally accepted under IFRS and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of profit and loss. We believe that OIBDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions of businesses and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under IFRS, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. OIBDA is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies.

Adjusted OIBDA, operating income and profit attributable to Sistema shareholders. The Company uses adjusted OIBDA, adjusted operating income and adjusted profit/(loss) attributable to Sistema shareholders to evaluate financial performance of the Group. These represent underlying financial measures adjusted for a number of one-off gains and losses. We believe that adjusted measures provide investors with additional useful information to measure our underlying financial performance, particularly from period to period, because these measures are exclusive of certain one-off gains and losses.

Adjusted operating income and adjusted OIBDA can be reconciled to our consolidated statements of profit and loss as follows:

RUB millions	2Q 2021	2Q 2020	1H 2021	1H 2020
Operating income	25 770	24 068	51 154	46 963
Accruals related to LTI program at portfolio companies	534	-	534	-
Impairment of hospitality assets	-	-	-	1 109
Impairment of non-current assets (MTS)	-	929	-	1 248
Other non-recurring income, net	-	(397)	-	(553)
Provisions for amounts due under contracts with clients at RTI	-	885	-	610
Adjusted operating income	26 304	25 485	51 688	49 377
Depreciation and amortisation	32 187	29 359	63 733	59 121
Adjusted OIBDA	58 491	54 843	115 421	108 498

Adjusted loss attributable to Sistema shareholders can be reconciled to our consolidated statements of profit and loss as follows:

RUB millions	2Q 2021	2Q 2020	1H 2021	1H 2020
Net profit (loss) attributable to Sistema	(3 883)	581	(6 283)	(9 633)
Accruals related to LTI program at portfolio companies	496	-	496	-
Impairment of hospitality assets	-	-	-	975
Impairment of non-current assets (MTS)	-	464	-	624
Other non-recurring income, net	-	274	-	122
Provisions for amounts due under contracts with clients at RTI	-	616	-	438
Adjusted net loss attributable to Sistema	(3 387)	1 935	(5 786)	(7 475)

Consolidated net debt. We define consolidated net debt as consolidated total debt less cash, cash equivalents and deposits in banks. Consolidated total debt is defined as total borrowings plus finance lease. The total borrowings is defined as long-term borrowings, short-term borrowings and liability to the Russian Federation. We believe that the presentation of consolidated net debt provides useful information to investors because we use this measure in our management of consolidated liquidity, financial flexibility, capital structure and leverage.

Consolidated net debt can be reconciled to the borrowings as follows:

RUB millions	30 June 2021	31 March 2021
Long-term borrowings	613 025	648 489
Short-term borrowings	137 173	88 370
Total borrowings	750 198	736 859
Consolidated finance lease ¹	19 211 ²	18 864 ³
Consolidated total debt	769 409	755 723
Cash and cash equivalents	(84 103)	(93 950)
Deposits in banks	(1 108)	(1 623)
Consolidated net debt	684 198	660 150

¹ In accordance with the standard IAS 17

² Including RUB 1,572 million of short-term finance lease

³ Including RUB 1,520 million of short-term finance lease